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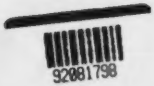

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

RG2-2239

FORM 10-Q

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ TO _____

PROCESSED BY
MAY 8 1992
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Commission File No. 0-4678

Pancho's Mexican Buffet, Inc. / DE
(Exact name of registrant as specified in its cha

DELAWARE
(State or other jurisdiction of incorporation or organization)

75-1292166
(I.R.S. Employer Identification No.)

3500 Noble Avenue, Fort Worth, Texas
(Address of principal executive offices)

76111
(Zip Code)

817-831-0081
(Registrant's telephone number, including area code)

BEST COPY AVAILABLE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Number of shares of Common Stock outstanding as of April 20, 1992: 4,269,479.

PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

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PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements included herein have been prepared by the Company without audit, except for the balance sheet as of September 30, 1991, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. In the opinion of the Company, all adjustments consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of March 31, 1992 and the results of operations and cash flows for the indicated periods have been included. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 1992.

Deloitte & Touche, independent public accountants, has made a limited review of the consolidated financial statements as of March 31, 1992 and for the three and six month periods ended March 31, 1992 and 1991 included herein.

PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS	March 31, 1992 (Unaudited)	September 30, 1991
Current Assets:		
Cash and cash equivalents	$ 3,298,700	$ 2,044,944
Accounts and notes receivable - current portion	248,896	277,677
Inventories	2,773,934	2,980,234
Prepaid expenses	508,221	720,918
Deferred income taxes	539,311	749,091
Total current assets	7,369,062	6,772,864
Property, Plant and Equipment:		
Land	3,454,725	3,831,672
Buildings	9,513,350	9,104,446
Leasehold improvements	20,611,920	19,764,745
Equipment and furniture	22,927,718	22,221,417
Construction in progress	119,227	574,210
Total	56,626,940	55,496,490
Less accumulated depreciation and amortization	26,822,509	25,296,102
Property, plant and equipment - net	29,804,431	30,200,388
Other Assets:		
Intangible assets	16,809	22,665
Deferred income taxes	907,444	572,964
Other, including noncurrent portion of receivables	661,660	662,313
Total other assets	1,585,913	1,257,942
TOTAL	$38,759,406	$38,231,194

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (Unaudited)	September 30, 1991
Current Liabilities:		
Accounts payable	$ 1,502,878	$ 1,723,416
Accrued taxes on income	237,280	329,542
Accrued wages and bonuses	1,702,274	1,864,901
Other current liabilities	1,854,497	2,853,954
Total current liabilities	5,296,919	6,579,923
Other Liabilities:		
Accrued insurance costs	3,108,514	2,494,107
Restructuring reserves	661,479	552,861
Other	64,915	62,583
Total other liabilities	3,834,908	3,109,551
Stockholders' Equity:		
Common stock	515,365	511,405
Paid-in surplus	23,381,020	23,320,900
Retained earnings	10,920,881	9,908,102
Total	34,817,266	33,740,407
Less treasury stock	5,189,687	5,189,687
Stockholders' equity	29,627,579	28,550,720
TOTAL	$38,759,406	$38,231,194

See Notes to Consolidated Financial Statements.

PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	1992	1991	1992	1991
Sales--Restaurant and Related	$18,042,051	$17,576,109	$35,177,687	$34,509,217
Costs and Expenses				
Cost of sales--restaurant and related - food and labor cost	10,170,597	9,414,040	19,882,988	18,644,501
Restaurant and other operating expenses	5,336,795	5,770,740	10,679,742	11,317,314
General and administrative expenses	1,373,059	1,469,380	2,749,413	3,005,755
Total	16,880,451	16,654,160	33,312,143	32,967,570
Operating Income	1,161,600	921,949	1,865,544	1,541,647
Other, Including Interest	3,505	2,827	5,709	12,241
Earnings Before Taxes on Income	1,165,105	924,776	1,871,253	1,553,888
Provision for Taxes on Income:				
Current	439,700	380,700	774,200	657,900
Deferred	(41,900)	(57,000)	(129,200)	(114,000)
Total	397,800	323,700	645,000	543,900
Net Earnings	767,305	601,076	1,226,253	1,009,988
Retained Earnings, Beginning of Period	10,367,050	14,562,107	9,908,102	14,153,195
Total	11,134,355	15,163,183	11,134,355	15,163,183
Less: Cash dividends	213,474		213,474	
Retained Earnings, End of Period	$10,920,881	$15,163,183	$10,920,881	$15,163,183
Net Earnings Per Common and Common Equivalent Share	$ .18	$ .14	$ .29	$ .24

See Notes to Consolidated Financial Statements.

PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31		Six Months Ended March 31	
	1992	1991	1992	1991
Cash Flows From Operating Activities:				
Net earnings	$ 767,305	$ 601,076	$ 1,226,253	$ 1,009,988
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	840,597	928,751	1,659,094	1,866,556
Provision for deferred income taxes	(41,900)	(57,000)	(129,200)	(114,000)
Amortization of restaurant start-up costs	10,689	32,121	24,922	62,210
Payment of restaurant start-up costs	(8,545)	(2,146)	(19,066)	(21,[illegible])
(Gain) on sale of assets		(1,100)	(450)	(6,[illegible])
(Increase) decrease in trade receivables	(7,202)	(16,665)	28,781	13,202
(Increase) decrease in inventory and prepaid expenses - net	(16,010)	(28,614)	418,997	(1,018,309)
Increase (decrease) in accounts payable, accrued wages and bonuses and other liabilities	341,923	756,911	(253,330)	(503,459)
Increase (decrease) in income taxes payable - net	23,200	(100,130)	(92,262)	(122,930)
Other - net	19,700	4,515	55,105	6,379
Total adjustments	1,162,452	1,516,643	1,692,591	161,485
Net cash provided by operating activities	1,929,757	2,117,719	2,918,844	1,171,473
Cash Flows From Investing Activities:				
Property additions and renewals	(625,853)	(1,037,610)	(1,757,110)	(2,037,807)
Increase (decrease) in accounts payable for property	7,875	(35,500)	(205,387)	35,7[illegible]
(Increase) decrease in equipment inventory	(34,732)	9,643	(20,203)	149,94[illegible]
Proceeds from sale of assets	464,605	15,378	467,006	19,178
Net cash used in investing activities	(198,105)	(1,048,089)	(1,515,694)	(1,832,893)
Cash Flows From Financing Activities:				
Net borrowings (payments) under line of credit agreement		(720,000)		285,000
Net proceeds from sale of common stock	64,080		64,080	
Dividends paid	(213,474)		(213,474)	
Net cash provided by (used in) financing activities	(149,394)	(720,000)	(149,394)	285,000
Net Increase (Decrease) In Cash And Cash Equivalents	1,592,258	349,630	1,253,756	(376,420)
Cash And Cash Equivalents, Beginning Of Period	1,706,442	744,369	2,044,944	1,470,419
Cash And Cash Equivalents, End Of Period	$ 3,298,700	$ 1,093,999	$ 3,298,700	$ 1,093,999
Supplemental information:				
Income taxes paid	$ 416,500	$ 475,000	$ 866,500	$ 775,000
Interest paid		13,971		13,971

See Notes to Consolidated Financial Statements.

PANCHO'S MEXICAN BUFFET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. EARNINGS PER SHARE

Net earnings per common and common equivalent share are based on the weighted average number of shares and equivalent shares (stock options when not anti-dilutive) outstanding during each period. The weighted average number of such shares was 4,307,965 and 4,282,547 for the three- and six- months ended March 31, 1992 compared to 4,287,984 and 4,274,918 for the same periods last year.

2. BORROWINGS AND BANK CREDIT LINE

The weighted average balances outstanding under the Company's revolving credit loan agreement with a bank were $757,278 and $561,758, respectively, during the three- and six- month periods ended March 31, 1991, with interest at a weighted average annual rate of 9.8%. There were no borrowings during six-month period ended March 31, 1992.

Deloitte & Touche

Pancho's Mexican Buffet, Inc.:

We have made a review of the consolidated balance sheet of Pancho's Mexican Buffet, Inc. and subsidiaries as of March 31, 1992, and the related consolidated statements of earnings and retained earnings and of cash flows for the three-month and six-month periods ended March 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of September 30, 1991, and the related consolidated statements of earnings and retained earnings and of cash flows for the year then ended (not presented herein), and in our report dated November 1, 1991, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of September 30, 1991, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche

April 20, 1992

PART I. FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Company's current ratio was 1.4 to 1 at March 31, 1992 compared to 1.0 to 1 at September 30, 1991. Cash and cash equivalents increased $1.3 million during the six-month period ended March 31, 1992. Cash provided by operations of $2.9 million, offset by net cash used for capital expenditures of $1.5 million, accounted for most of the cash increase. Cash provided by operations increased $1.7 million during the six-months ended March 31, 1992 compared to the same period last year, due primarily to the payment of accrued and prepaid insurance costs in the prior year. Management believes that the Company's operating cash flows supplemented by short-term bank borrowings are adequate for its foreseeable capital needs.

In March 1992, the Company paid a 5 cents per share quarterly common stock dividend. Previously, the Company had paid an annual dividend for each of the last twelve years (17 cents per share in fiscal year 1991).

Results of Operations

Restaurant and related revenue increased $465,942 (2.7%) and $668,470 (1.9%) for the three- and six-months ended March 31, 1992 (current three- and six-month periods) compared to the same periods last year. Sales generated by new units and two price increases during fiscal year 1991 contributed to the increase. However, these gains were offset somewhat by decreased customer count, which was largely attributable to unusually heavy advertising in the the prior year quarter to promote the introduction of the Fiesta Plate, and the closing of four restaurants--one in Baton Rouge, Louisiana in December 1991 and three in the Denver, Colorado area in January 1992. The four restaurant closings were planned as part of the Company's fiscal year 1991 restructuring. Menu price increases of approximately 2.1% and 1.7% were implemented in late November 1990 and mid-June 1991, respectively. The 1990 increase included raising the price of the Company's "all-you-can-eat" buffet to $4.69 from $4.59. One restaurant, in Lubbock, Texas, was opened in December 1991 and another, in College Station, Texas, opened in February 1992. A total of four restaurants are expected to open during the 1992 fiscal year; no additional restaurant closings are anticipated.

Average sales for restaurants open throughout the current three- and six-month periods were $271,107 and $515,736 compared to $264,121 and $518,098 for the same periods last year. Sales generated by restaurants open in fiscal year 1991 and 1992 (comparable restaurant sales) decreased 2.8% and 3.6% over the prior three-and six-month periods after giving effect to menu price increases in fiscal year 1991.

Cost of sales as a percentage of sales for the current three- and six-month periods was 56.4% and 56.5% compared to 53.6% and 54.0% for the same periods last year. Sharply higher produce prices during March and menu refinements resulted in 1.6% and 1.2% increases in food cost for the current three- and six-month periods compared to the same periods last year. Labor cost as a percentage of sales was also higher, largely due to lower sales volume and the April 1, 1991 Federally mandated minimum wage increase.

Restaurant and other operating expenses as a percentage of sales for the current three- and six-month periods was 29.6% and 30.4% compared to 32.8% for both periods last year. Reduced depreciation expense and operating losses in underperforming restaurants as a result of restructuring charges taken during fiscal year 1991 and significantly lower advertising costs accounted for most of the change. During 1991, advertising expenditures were shifted to spring to promote the introduction of the Fiesta Plate. (The Fiesta Plate includes any four items from the buffet, plus rice, beans, chips and hot sauce and sopaipillas, and is currently priced at $3.29.) Advertising spending in 1992 will follow the Company's traditional pattern of promoting most heavily during the summer months when kids are out of school.

General and administrative expenses as a percentage of sales for the current three- and six-month periods was 7.6% and 7.8% compared to 8.4% and 8.7% for the same periods last year. The decreases were due primarily to cost reduction measures and the positive impact of the restructuring announced during fiscal year 1991.

The provision for income taxes was computed using an effective tax rate of 35% for all periods except for the current quarter. The current quarter income tax accrual reflects an increase in the accrual percentage to 39% due to the changes in the Texas franchise tax. However, the accrual is offset by a $56,600 tax benefit recognized in the current quarter. Also, current income tax expense increased and deferred income tax expense decreased in the current three- and six-month periods due to the continuing reversal of depreciation timing differences and an increase in reserves accrued for the Company's voluntary employee injury benefit plan.

During 1991, the State of Texas revised its corporate franchise tax to include an income based component. Management anticipates that both the calendar 1992 and 1993 franchise tax will be based upon income earned during the nine months ending September 30, 1992. Generally accepted accounting principles require income tax expense to be recognized during the period in which the income is earned. Consequently, two calendar years of the income based component of the tax will be accrued during the last three quarters of fiscal 1992. This change is expected to result in a moderate increase in total franchise tax expense for fiscal year 1992, resulting primarily in a reclassification of expense from general and administrative expenses to provision for taxes on income.

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	
2	Not applicable
4	Not applicable
11	Not required--explanation of earnings per share computation is contained in notes to consolidated financial statements.
15	Letter re: unaudited interim financial information
18	Not applicable
19	Not applicable
20	Not applicable
23	Not applicable
24	Not applicable
25	Not applicable
28	Not applicable

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PANCHO'S MEXICAN BUFFET, INC.

April 20, 1992

Hollis Taylor, President and Chief Executive Officer (Principal Executive Officer)

April 20, 1992

David Oden, Vice President, Treasurer, Chief Financial Officer and Assistant Secretary (Principal Financial Officer)

EXHIBIT 15

Deloitte & Touche

601 Cherry Street, Suite 2340 Metro (817) 654-1775
Fort Worth, Texas 76102-6803
Telephone (817) 347-5300

Pancho's Mexican Buffet, Inc.:

We have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited interim financial information of Pancho's Mexican Buffet, Inc. and subsidiaries for the three-month and six-month periods ended March 31, 1992 and 1991, as indicated in our report dated April 20, 1992; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which was included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 1992, is incorporated by reference in Registration Statement No. 2-86238 on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act, is not considered a part of the Registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Deloitte + Touche

April 20, 1992